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Ipsos

Changing gear:

How mystery shopping drives better automotive CX performance

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GAME CHANGERS



What should an automotive mystery shopping programme focus on? What do car manufacturers and dealers want from a mystery shopping programme? Jakub Hankovský explores the different options available to automotive manufacturers, importers and dealerships, and how a well-executed mystery shopping campaign can fuel a better customer experience for customers and employees alike.

The auto industry is technical and exact, but also emotional and full of passion. It can solve mobility issues for most people, fulfil various needs and dreams, and can represent lifestyle or status. To some people, cars are a comfortable and convenient means of transport. To others, they are a passion – whether they connect cars to a love of motorsport or a feeling of freedom.

The motivation to own a car has changed throughout history and varies from one part of the world to another.

Many people – mostly millennials living in big, developed cities with flexible jobs – are losing interest in owning a vehicle and prefer to lease or share one. These people prefer comfortable, economic, functional and connected automobile models and their configurations.

From this perspective, to continue to produce sports, classic and more ‘exotic’ cars seem like an odd – perhaps even meaningless – business decision for manufacturers. However, they have their customers to think about and many still dream of owning one.

As with the product portfolio, the purchase experience is becoming more diverse. Across nearly every industry, customers are becoming used to – and even *expecting* – omnichannel shopping experiences, and want to choose their preferred sales and communication channel. This expectation is also rising in the automotive sector, and the industry is starting to react. Manufacturers now have to cater their offer, product and service to the full spectrum of customers – from utilitarian and pragmatic to the various lifestyle-focused purchasers.



Connectivity and Mystery Shopping

The automotive industry is facing a technological revolution. Connectivity and electromobility will significantly change the product and unleash the vast potential of new, connected products and services such as applications, hardware such as 'Wallbox' and other complex smart technologies. Changing customer expectations, rapidly evolving products and a 'race for new services' along with these technological trends has started to create pressure on the network-readiness of providers. The need for new showroom design and equipment, omnichannel ability, staff training, certification and a host of other demands lead to overall efficiency and customer-centricity challenges.

With that said, we know that mystery shopping has huge potential, but also incredible variability in this industry. At Ipsos, we use mystery shopping as an observational research methodology that helps brands to consistently deliver on the promises they make to their customers. We firmly believe that a proper mystery shopping programme's design is critical as it enhances value, improves quality and increases return on investment.

Mystery shopping, performed correctly, is a tool which can help to deliver better customer experiences. To achieve this, we need to understand the customers, the numerous stakeholders within very complex organisations such as Original Equipment Manufacturers (OEMs), distribution networks and other companies. If a research or managerial tool is to be successful, it must reflect the company's needs. It must also be understood and accepted from frontline staff to the boardroom.

The automotive industry consists of manufacturers (mostly grouped, e.g. VW group: VW, Audi, SKODA, Porsche, Seat; PSA: Peugeot, Citroen, DS; etc) and their suppliers (e.g. tyre industry, repair shops, gas stations, leasing companies, used-car dealers and many others). However, we will focus on the biggest organisations – personal vehicle manufacturers.

The manufacturers' brand management steer strategy, develop products, manage global marketing and all pricing. Groups or a brand OEM are very complex organisations, influencing most of the strategic topics

connected to their business. They use market research to explore, understand and inspire rather than to directly manage the sales or after-sales networks. Mystery shopping can be used for a wide range of purposes, but the core functions it tests are price-setting, repair-quality checking, customer process fulfilment and Customer Experience measurement.

Business challenges and research objectives in the automotive industry

OEMs are organisationally divided into sales and after-sales divisions. Although the customer journey is cyclical, many OEMs separate their activities to measure and manage customer activities. The best mystery shopping programmes focus on the use of scenarios that require cooperation between these two parts (asking about the after-sales services during the sales phase or expressing a possible interest in the new car purchase while waiting for the car to be repaired and returned to the mystery shopper). This complete view is usually best represented by joint analysis and reporting of the results on either online platforms or in management reports or presentations. This approach is also usually represented by omnichannel measurement. Physical visits, calls and emails are complemented by measurement of e-leads (online test-drive booking, online service visit scheduling, etc).

It is important to note that the customer experience does not end with the purchase of a car or its delivery to the customer. It should smoothly continue to after-sales, which is crucial in terms of shaping the relationship with the customer and generating more business. This transition heavily influences the possibility of repurchasing and is usually measured separately as a sales and after-sales process fulfilment.

The truth is that for most mystery shopping providers, it is a challenge to complete after-sales physical visits. This is also one of the reasons why the programmes are usually separated and supported by different partners.



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Sales / Customer process fulfilment

Most OEMs work with a customer experience or satisfaction strategy that includes mystery shopping. In such cases, OEMs influence the study by recommending the common approach or contracting the mystery shopper provider themselves. In both cases, programmes are designed centrally. The questionnaire focuses on objective parameters of the customer process which, if followed, lead to the fulfilment of customers' functional needs and expectations. In several cases, programmes focus on the collection of best practice information, trying to capture the emotions or added value of the service perceived by the mystery shopper.

In each case, the goal of these programmes is to obtain information that can help to steer international training activities, support programmes aimed at improving the customer experience and provide performance information to management. Groups and/or brand management are interested in what the service looks like from their customers' points of view. Therefore, the programme must be easy to understand and in line with the strategy and customer process to be a success.

In order to keep management engaged, motivated and focused on the importance of the project, the outcomes of the programme have to be well-designed and relevant. Focus of the programme tends to be broadened to fleet customers – especially user-choosers whose customer journey is usually similar to a retail customer.

After-sales customer process fulfilment and phantom testing

After-sales customer experience is strongly influenced by the quality of repair itself. Although OEMs have strict service standards, procedures and tools – especially auditing to check compliance – so-called 'phantom testing' is often used. Phantom testing is a physical visit at a service point which includes a professional

pre-installation of specific faults to the vehicle in question. Part of the evaluation focuses on the ability of the technicians to discover and repair these hidden faults. The rest describes the journey of a customer, including the pre-contact and possible follow-up call or email.

While phantom testing is usually provided by specialised providers, Ipsos has the know-how and infrastructure, combined with its Mystery Shopping expertise, which makes it a strong player in this area of research.

'Transactional price' studies

To set the right prices, OEMs are interested in so-called 'transactional prices', preferably from multiple markets and of multiple competitors' models. As the key focus is on the reliability and comparability of collected information, these studies are usually centrally managed and used in all categories. They are difficult to manage, but when designed and executed well, they represent a valuable source of market insight.

The general method, especially in the categories focused on company customers, is to calculate and analyse the total cost of ownership to gain all possible information for price-setting, marketing communication and, finally, sales support and staff training. Setting the right price and communicating the benefits becomes more difficult with additional services, and new ways of financing or leasing provided directly by the importer or OEM.

OEMs, importers and dealers' relationships: Understanding as a key to design and implement mystery shopping programmes

Mystery shopping should help managers to manage their frontline staff. We understand that in the automotive industry, the people managing sales and service consultants are importers and dealers. The local country importer is fully responsible for its retailers. All three levels (OEM, importer, dealer) are B2B partners

responsible for meeting certain conditions and following common procedures and rules, but ultimately they are considered independent businesses with different objectives. This is very important to bear in mind when trying to understand their motivations, expectations and business relationships in order to design and engage all of them in the mystery shopper programmes.

If the programmes are conducted centrally, importers are usually co-creators of the programme (either involved in the central designing or allowed to localise the design within certain boundaries) and its users. This is different from the OEM, as their need is to steer the dealer network. The dealer network also cannot be seen as one coherent unit. Dealers are sometimes grouped, some of them are selling more brands, some are owned by the importer and some may even have a direct connection to the brand OEM. Understanding the connections and expectations of each group is the only way to efficiently support them.

The full potential is in the hands of the dealer

Dealerships, with a few exceptions, are not big fans of mystery shopping and usually do not spend their money on market research. However, it's at dealership level that the potential findings from a programme would be most useful. To use the results of a programme properly, dealers need to understand the value of the information they receive – and trust the reliability of the results.

All of this assumes that the results are provided to the dealers (continuously or in a certain frequency). To get dealers on board, each mystery shopping programme must be well executed. Dealer conferences are good occasions to share the information personally and can react to any questions or doubts. To motivate the dealership's senior management, whose attitude usually determines the attitude of their staff, importers sometimes connect the mystery shopping results to a bonus scheme. To increase the impact of the data, some importers also focus on sharing the best practice cases to the entire dealership network to inspire them to replicate the results. This in turn strengthens the position of the programme.

Paranoia can ruin everything

However, there is always the danger that staff could shift their attention away from the everyday shopper to seek out mystery shoppers, and end up not necessarily improving their customer service at all. Another effect of the bonus scheme could be the pressure of 100% data accuracy. Therefore, it is very important to allow dealers to react to the reported results in real time so they can explain or discuss the accuracy and update the report(s) accordingly.

This platform for discussion is usually one of the key steps to gaining their trust and increase their perception of programme transparency. The OEM or importer can control ongoing data usage by demanding action plans, having regional managers discuss the mystery shopping results as a part of their regular agenda with the dealers and/or paying close attention to the results and reacting to them. This can be done in numerous ways, including sending an official letter of dissatisfaction, addressing certain topics at a dealer conference or indeed by implementing compulsory training or coaching modules.

What do the OEMs, importers and dealers want from a mystery shopping programme?

They all want actionable and business-oriented results to increase the top-line (sales) and bottom-line (price). Each level of an organisation will have very specific needs and the business relationships between them require a sophisticated programme of internal communication and engagement activity. To set up a smart mystery shopping programme in the automotive sector, it is necessary to consider the following questions:

- **How can we engage all levels in both the design and results implementation phases?** Ipsos designs tailored programmes based on the needs of all relevant stakeholders and users. A workshop is usually held to identify all needs, create the strategy and agree on the concept.



An analytical plan and results reporting and implementation structure is created including the format, content and frequency of all reports, process on how to react on certain results and setting of the channel to process dealers' remarks and questions. The results must be provided to people who will use them, in the time they need it and a format that will be understandable, engaging and inspiring.

- **Are we measuring all communication channels?**
It is necessary to think about whether mystery shopping reflects the real customer's journey. Ipsos always checks the communication channels and suggests using an omnichannel approach to receive complex information.
- **Are we looking at the customer journey as a whole?**
A customer buys a car, the car is handed over to them,

they service the car and, at some point, buys another one. This simple cyclical journey should be reflected in the design and use of a mystery shopper programme. Other CX data (club studies, own customer satisfaction studies, lost customers studies) should also be integrated into the reporting to better understand the experience. Ipsos integrates sales and after-sales mystery shopping and other CX data in its online reporting tool, further analysis and recommendations and builds a sophisticated appeal and action management tool to efficiently work with the data.

Mystery shopping can form a key component in customer relations in the automotive industry.

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